to state Government for contributing to share capital of cooperative credit institutions include, *inter-alia,* limiting of State Govt. contribution to 50% of the paid-up capital of the institution, completion of audit of the institution, limiting of overdues, ceiling on loans, relaxations, etc.

(c) NABARD has reported that there has been no such diversion of funds.

(d) Loans are disbursed to the State Governments as per well laid down policy indicated in (b) above.

Objections of Nationalisation of Banks

1295. SHRI E. BALANANDAN: Will the Minister of FINANCE be pleased to state:

(a) why the government felt it necessary to dilute stakes in PSU Banks below 51% instead of recapitalising them;

(b) what were the objectives of Bank nationalisation; and

(c) whether those objectives were achieved more or less?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) In view of the increasing requirement of capital of nationalised banks in order to obtain prescribed higher standards of capital adequacy, the infeasibility of the Central Government's continuing to indefinitely meet the requirement of additional capital of the banks in the context of competing claims for budgetary support and the consequent need for raising from market, the need for promoting competition, efficiency and providing more autonomy and in accordance with the policy of economic reforms, it has been recommended by the Committee on Banking Sector Reforms (Narasimham Committee-II) to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 to provide for an enabling provision for the banks to raise capital from the market even with Government shareholding going below 51 percent. Since no decision has been taken by the Government on this recommendation, it would be incorrect to state that Government has felt it necessary to dilute stake in public sector banks below 51 percent.

(b) The objective of bank nationalisation in 1970 and 1980 were to

control the commanding heights of the economy and to meet progressively and serve better the needs for development of the economy in conformity with national policy and objectives as prevailing at that time.

(c) Rapid expansion of bank branches, particularly in the rural, unbanked and neglected centres, significant increase in bank deposits facilitated by wide geographical coverage, pre-emption of bank credit in favour of priority sectors like rural credit, agriculture, small scale industries, exports etc. are significant achievements in this direction. Reforms are an ongoing process, and incorporate changes to meet changing situations and emerging needs, while continuing to focus on the interests of the public at large.

Investment by US Firms in Insurance Sector in India

1296. SHRI E. BALANANDAN: Will the Minister of FINANCE be pleased to state:

(a) whether the US Ambassador to India, has indicated that many US firms are keen to invest in the insurance sector in India;

(b) if so, the number of US firms which are so interested and the amount of investment expected;

(c) whether Government are aware that the insurance sectors in US and other developed countries are not running well; and

(d) if so, the reasons thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) Government is aware of the Statement made by the US Ambassador to India which has appeared in the press.

(b) The IRDA, when it is constituted, would be considering the applications received for issue of licences to new insurance companies. The amount of investment would depend upon the number of joint venture companies given licence by IRDA.

(c) No, Sir.

(d) Does not arise.